

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /087 W

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R 062140Z MAR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9549

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY CARACAS

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: OAS, IA-ECOSOC

SUBJECT: IA-ECOSOC MEETING ON THE U.S. TRADE ACT

REF: (A) SAN JOSE 0890 (B) STATE 35339 (C) STATE 34414

1. EMBOFF ON MARCH 6 DISCUSSED WITH MINISTER OF ECONOMY SANCHEZ THE FORTHCOMING IA-EXOSOC MEETING MAKING THE SAME POINTS PREVIOUSLY MADE TO KEY GOVERNMENT OFFICIALS (REF A) IN AN ATTEMPT TO COMBAT THE DISTORTIONS THAT HAVE BEEN CREATED ABOUT THE TRADE ACT, TO POINT OUT THE POSITIVE FEATURES, AND TO EXPRESS U.S. HOPE FOR A POSITIVE APPROACH TO THE STUDY OF THE LAW AT THE IA-ECOSOC MEETING.

2. MINISTER SANCHEZ READILY AGREED THAT THE ACT HAS POSITIVE  
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FEATURES BUT HE CHARACTERIZED THEM AS NOT OF MAJOR IMPORTANCE

TO COSTA RICA. COSTA RICA'S MAIN TRADE PROBLEMS ARE WITH ITS TRADITIONAL EXPORTS AND IT IS VERY MUCH PREOCCUPIED WITH THE QUESTION OF PRICES RECEIVED FOR THOSE EXPORTS. SANCHEZ RECOGNIZES THAT PREFERENCES WILL CREATE OPPORTUNITIES TO DEVELOP NEW INDUSTRIES BUT SUCH INDUSTRIES FOR EXPORTING TO A SOPHISTICATED MARKET LIKE THE U.S. ARE DIFFICULT TO DEVELOP.

3. IN CONTRAST TO THE ALLEGEDLY SOMEWHAT THEORETICAL OR

NON-ESSENTIAL ECONOMIC ADVANTAGES OF THE TRADE ACT, THE ACT POSES VERY SERIOUS POLITICAL PROBLEMS WHICH, SANCHEZ MADE CLEAR, ARE OF PARAMOUNT CONCERN TO COSTA RICA AT THIS TIME. SANCHEZ SAID TITLE V OF THE ACT HAS BEEN BLAMED FOR THE FAILURE OF THE RECENT COFFEE MEETING IN SAN SALVADOR, FOR EXAMPLE. (IN RESPONSE TO QUESTION HE ADMITTED THAT HE DOES NOT BELIEVE THAT TITLE V WAS THE MAIN REASON, ALTHOUGH IT WAS A CONTRIBUTING FACTOR AND IS AN IMPORTANT CONSIDERATION, ESPECIALLY FOR COLOMBIA AND BRAZIL).

4. SANCHEZ UNDERSTANDS THAT AT THIS POINT U.S. THINKING IS THAT OPEC IS THE ONLY CARTEL THAT WOULD GIVE RISE TO EXCLUSION FROM PREFERENCES. NEVERTHELESS, HE CONSIDERS THE EXCLUSION CLAUSES AT BEST AMBIGUOUS WITH RESPECT TO U.S. INTENTIONS TOWARD ORGANIZATIONS FORMED BY PRODUCERS OF OTHER PRODUCTS SUCH AS BANANAS, COFFEE, BAUXITE, ETC. HE FEARS THAT AT SOME POINT IT MIGHT BE DECIDED THAT, FOR EXAMPLE, A COFFEE ORGANIZATION WOULD COME WITHIN THE DEFINITIONS OF THE ACT. SANCHEZ STRONGLY MADE THE POINT IN REBUTTAL THAT THE EXCLUSIONARY CLAUSES RELATE ONLY TO THOSE CARTELS THAT INTERFERE WITH SUPPLIES OF PRODUCTS THAT ARE VITAL TO WORLD COMMERCE AND RAISE PRICES TO UNREASONABLE LEVELS.

5. SANCHEZ SAID THAT THE FOREIGN MINISTER HAD ASKED HIM TO GO TO WASHINGTON TO REPRESENT COSTA RICA AT THE IA-ECOSOC MEETING (POSSIBLE A FRUIT OF OUR EARLIER CONVERSATIONS WITH THE FOREIGN MINISTRY), BUT SANCHEZ SAID THAT HE IS SO TIED UP WITH THE PROBLEM OF ISSUING LIMITED OFFICIAL USE

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REGULATIONS TO IMPLEMENT THE CONSUMER PROTECTION LAW THAT HE WILL NOT BE ABLE TO ATTEND AND WILL NOT BE IN A POSITION TO SEND A SUITABLE REPRESENTATIVE. THUS, COSTA RICA WILL BE REPRESENTED BY ITS AMBASSADOR TO WASHINGTON.

6. IN RESPONSE TO A QUESTION ABOUT WHAT HE EXPECTS WILL TRANSPIRE AT THE IA-ECOSOC MEETING, SANCHEZ SAID THAT HE IS CERTAIN THAT THERE WILL BE INITIALLY A CONFRONTATION

BUT THAT IN THE COURSE OF THE MEETING HE WOULD ANTICIPATE THAT CERTAIN PARTIES WOULD BE ABLE TO SMOOTH OVER (SUAVIZAR) THE POINTS AT ISSUE. ASKED IF COSTA RICA MIGHT BE ONE OF THE PARTIES THAT WOULD BE CONTRIBUTING TO A SOLUTION, HE REPLIED IN THE AFFIRMATIVE, BUT PROBABLY HE MEANT BY THIS THAT COSTA RICA WOULD SUPPORT A COMPROMISE RATHER THAN BE ONE OF THE LEADERS IN ACHIEVING ONE.

7. COMMENTS: ALTHOUGH MINISTER SANCHEZ MADE A NUMBER OF NEGATIVE POINTS ABOUT THE TRADE ACT, EMBOFF DID NOT DETECT ANY DEPTH OR FEELING ON THE NEGATIVE POINTS. LIKE THE ADVANTAGES, THE DISADVANTAGES SANCHEZ FORESEES ARE THEORETICAL OR POTENTIAL, WITH THE EXCEPTION OF THE POLITICAL ASPECT. THE REAL PROBLEM FOR COSTA RICA IS THE POLITICAL FUROR THAT THE TRADE ACT HAS CREATED IN LATIN AMERICA AND COSTA RICA'S DESIRE NOT TO BE CAUGHT IN THE MIDDLE BETWEEN THE U.S. AND THE OPPONENTS OF THE LAW. IT IS THIS ELEMENT THAT TIPS THE BALANCE TO THE NEGATIVE SIDE IN THE COSTA RICAN WEIGHING OF THE TRADE ACT.

8. ON BALANCE, THE EMBASSY CONTINUES TO BELIEVE THAT COSTA RICA FAVORS A COMPROMISE THAT WOULD ACCORD SOME RECOGNITION OR SUPPORT TO THE VENEZUELAN POSITION WHILE LEAVING THOSE COUNTRIES OF THE HEMISPHERE WHICH SEE ADVANTAGES IN THE TRADE ACT FREE TO ENJOY ITS BENEFITS. WE REITERATE, HOWEVER, THAT THE U.S. CANNOT EXPECT THE COSTA RICAN REPRESENTATIVE TO PLAY AN ACTIVE ROLE THAT WOULD BRING HIM INTO CONFLICT WITH THE VENEZUELAN POSITION AND WE CONTINUE TO FORESEE A DANGER OF COSTA RICA BEING SWEEPED ALONG IF THE VENEZUELAN ATTACK IS STRONG AND THE TIDES ARE RUNNING AGAINST THE TRADE ACT.

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